

AUDIT COMMITTEE
Wednesday, 16 September 2020

PRESENT – Councillors Durham, Crudass, Lee and Paley

APOLOGIES – Councillors Baldwin and McEwan

ALSO IN ATTENDANCE – Helen Henshaw (Ernst and Young LLP)

OFFICERS IN ATTENDANCE – Peter Carrick (Finance Manager Central/Treasury Management), Luke Swinhoe (Assistant Director Law and Governance), Seth Pearson (Partnership Director), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council) and Allison Hill (Democratic Officer)

A1 APPOINTMENT OF CHAIR FOR THE MUNICIPAL YEAR 2020/21

RESOLVED – That Councillor Lee be appointed Chair of this Audit Committee for the Municipal Year 2020/21.

A2 APPOINTMENT OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2020/21

RESOLVED – That Councillor Crudass be appointed Vice-Chair of this Audit Committee for the Municipal Year 2020/21.

A3 DECLARATIONS OF INTEREST

There were no declarations of interested reported at this meeting.

A4 TIME OF FUTURE MEETINGS

RESOLVED – That meetings of this Audit Committee be held at 9.30 a.m. for the remainder of the Municipal Year 2020/21.

A5 MINUTES

Submitted – The Minutes (previously circulated) of the meeting of this Audit Committee held on 29 January 2020.

RESOLVED – That the Minutes of the Audit Committee held on 29 January 2020 be approved as a correct record.

A6 EXTERNAL AUDIT ANNUAL PLAN 2019/20

The Managing Director submitted a report (previously circulated) together with a copy of the 2019/20 External Audit Planning Report (also previously circulated) which had been prepared by the Council's appointed external auditors, Ernst and Young (EY).

Helen Henshaw, a representative of EY attended the meeting to present the report and to answer Members questions thereon.

RESOLVED – That the External Audit Plan for 2019/20 be noted.

A7 ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2019/20

The Managing Director submitted a report (previously circulated) presenting the outcome of the annual review of significant partnerships to enable this Committee to consider the partnerships that the Council was involved with and to ensure that they had adequate governance arrangements in place.

It was reported that, through the principles of the partnership toolkit, the Council had an established approach to monitoring the significant partnerships it was involved with and, as a result, there were good governance arrangements in place for these partnerships and that they were delivering well against their objectives.

It was also reported that the toolkit had been effective in identifying high level concerns of the significant partnerships, the most common of which were levels of resourcing, uncertainty as a result of the emerging policy and fundamental changes in operating landscape.

RESOLVED – That the review of significant partnerships be endorsed and the actions being taken to address outstanding issues be noted.

A8 ANNUAL RISK MANAGEMENT 2019/20

The Managing Director submitted a report (previously circulated) to update Members on the approach to and outcomes from the Council's Risk Management processes.

It was noted that progress continued to be made within the Authority regarding the management of key strategic risks and with the work undertaken by Officers to manage operational risk.

Particularly discussion ensued on the risks identified as above the risk appetite line in Children and Adults Services; Economic Growth and Neighbourhood Services; and a Corporate Risk in relation to Covid-19.

RESOLVED – That the submitted report be noted.

A9 ETHICAL GOVERNANCE AND MEMBER STANDARDS - UPDATE REPORT

The Managing Director submitted a report (previously circulated) updating Members on issues relevant to Member standards and ethical governance.

The submitted report updated Members on the review of the Member Code of Conduct by the Local Government Association (LGA) as recommended by the Committee on Standards in Public Life's (CSPL) report into Local Government Ethical Standards. It was reported that if a new standardised Model Code of Conduct is rolled out which all local authorities are required to adopt legislation will be required, however the approach being taken appeared to be an advisory rather than mandatory approach.

The submitted report also set out a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council and it was reported that, by reviewing these indicators, it was anticipated that any unusual or significant trends or changes in the volume of data recorded for the period concerned would alert the Authority to any deterioration in its ethical health and enable any necessary action to be taken at an early stage.

Members agreed to give further consideration to the draft in its final form to see what changes could be made to our current Code of Conduct.

Member also considered a number of best practice recommendations of the CSPL and in particular the recommendation to have at least two Independent Persons and agreed to appoint a second Independent Person.

RESOLVED – That the report be noted.

A10 MANAGERS' ASSURANCE STATEMENTS 2019/20

The Managing Director submitted a report (previously circulated) advising Members of the outcome of the 2019/20 Managers' Assurance Statements (MAS).

It was reported that the MAS was a key element of the Council's corporate governance arrangements and, based on the 2019/20 returns, had identified an overall positive position.

It was also reported that although no common improvement themes had been highlighted in the 2019/20 returns, all of the identified improvement themes were to be progressed by Assistant Directors during the 2020/21 financial year.

RESOLVED – That the report be noted.

A11 AUDIT SERVICES - AUDIT CHARTER 2020

The Audit and Risk Manager submitted a report (previously circulated) presenting the Audit Services' Audit Charter for 2020/21.

It was reported that a Charter had been developed which outlined how the service would meet the statutory requirements and how the Audit Plan would be developed.

The Internal Audit Charter set out the approach for the period 2020-2021 and gave details of the Purpose of the Internal Audit Service; the scope of Internal Audit work; access to Information; resourcing of the Service; and future Development of the Service.

RESOLVED – That the Internal Audit Charter for 2020/21 be approved.

A12 TREASURY MANAGEMENT ANNUAL AND OUTTURN PRUDENTIAL INDICATORS 2019/20

The Managing Director submitted a report (previously circulated) to provide important information regarding the regulation and management of the Council's borrowing,

investments and cash-flow, as a requirement of the Council's reporting procedures and outlined treasury activity for 2019/20.

The report also sought Members approval of the Prudential Indicators for 2019/20 in accordance with the Prudential Code.

It was reported that for the financial year 2019/20 presented similar circumstances to 2018/19 with regard to treasury management and the main implications of this for the Council were included in the submitted report.

It was also reported that due to the recent low returns for cash investments new ways to improve investment returns were being continually sought. The cost of borrowing remained low throughout 2019/20 and due to the Covid-19 pandemic the cost of shorter term borrowing was anticipated to remain low for a number of years in the future.

The submitted report summarised the capital expenditure and financing for 2019/20; the Council's underlying borrowing need; the Treasury position as at 31 March 2020; prudential indicators and compliance issues; the economic background for 2019/20; treasury management activity during 2019/20; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2019/20 had been carried out in accordance with the Council policy and within legal limits; financing costs had been reduced during the year and a saving of £0.268m had been achieved from the original Medium-Term Financial Plan.

RESOLVED – (a) That the outturn 2019/20 Prudential Indicators within the submitted report and those in Appendix 1 be noted.

(b) That the Treasury Management Annual Report for 2019/20 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2019/20 Prudential Indicators to be noted.

A13 AUDIT SERVICES - ACTIVITY REPORT 2020/21

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report of activity and proposed activity for the next period.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and detailed feedback on the performance of the service and the position in relation to completion of audit work.

It was highlighted that Covid-19 had brought challenges to the Authority and had been the focus for a number of service areas. Audit advice had been provided as required and time had been spent transitioning to the new ways of working. It was also reported that testing had been undertaken and good progress had been made to date.

RESOLVED – That the activity be noted.

A14 AUDIT SERVICES ANNUAL AUDIT PLAN 2019/20 - ANNUAL REPORT

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with the annual report against the 2019/20 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and performance indicators; and in relation to Audit Services' and highlighted that all agreed work had been completed.

It was reported that the shared service was a new service beginning 1 April 2017 and brought together two teams from different organisations as well as a new approach to delivering the audit opinion.

It was also reported that the Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.

It was highlighted that there had been number of changes that had been required to the original plan including the significant impact on working arrangements and priorities in response to the COVID-19 outbreak.

RESOLVED – That the annual report against the 2019/20 Annual Audit plan be noted.